

VZCZCXYZ0014
PP RUEHWEB

DE RUEHVB #0732/01 3501216
ZNR UUUUU ZZH(CCY TEXT ADX:EE9D50 LOP5710 TMC)
P 161216Z DEC 09 ZDK
FM AMEMBASSY ZAGREB
TO RUEHC/SECSTATE WASHDC PRIORITY 9737
INFO RUEAIIA/CIA WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

UNCLAS ZAGREB 000732

SENSITIVE
SIPDIS
C O R R E C T E D C O P Y (ADDING CAPTION)

E.O. 12958: N/A
TAGS: [ECON](#) [EIND](#) [HR](#) [EINV](#)
SUBJECT: CROATIA'S TOURISM 2009 REVENUES: BETTER THAN
EXPECTED

11. (U) SUMMARY: Croatia's 2009 tourism season, with 6.8 billion euros in revenue, was not as bleak as the GoC and domestic tourism operators had feared. Increased numbers of European tourists from Austria, Germany and Poland traveled to Croatia during the peak summer season, offsetting declines in longer-distance tourists and per head spending, and containing the decline in tourism revenues to around 15 percent from 2008. Declining revenue did hurt profits, however, which many operators attributed more to Croatia's underdeveloped tourism infrastructure than to the economic crisis. The Ministry of Tourism is already working with industry to develop a new campaign to promote Croatia as a tourist destination for 2010. END SUMMARY

SUMMER 2009: BAD, BUT NOT TERRIBLE

12. (SBU) Tourism is an important source of revenue for Croatia and accounts for approximately 15-20 percent of GDP. Croatia earned approximately 6.8 billion in the tourism sector during 2009, according to the Croatian National Bank (HNB). Senior Advisor to the Minister of Tourism Mate Kupovic told econoff that the Ministry of Tourism had predicted a 20 percent decline in 2009 from the 8 billion euro in revenue earned in 2008, due to anticipated losses from the global economic crisis. However, a 10 percent increase in tourists from Austria, Germany and Poland helped Croatia generate more revenue than projected. He explained that a GoC survey of this target group revealed that Croatia was a more attractive and affordable tourist destination for European travelers than vacations to exotic locations outside of Europe.

13. (SBU) Croatia's hotel industry's profits were down 10 percent from 2008, and the restaurant industry took a greater hit, with a decline in profits of 25 percent, according to Croatian Hotel Association General Manager Andjelko Leko. Leko told post that a lack of tourism infrastructure such as resorts, spas, and other leisure activities that would make the price of hotels in Croatia more attractive bore more of the blame for lower profits than the economic crisis. Hotel profits would also have been greater if not for the availability of 'private accommodations' for tourists. Leko believes that many foreign tourists and about 90 percent of domestic tourists opted for rooms in privately owned apartments that are significantly below the market price for commercial hotel rooms. Restaurants, particularly on the coast, also suffered steep declines because more tourists, particularly those in apartments, brought their own food or purchased food from grocers instead of dining out. On the other hand, Leko said that while profits were down for the year as a whole and during the summer months, Croatia's largest private hotel operator Maistra group reported 10 percent higher profits in September 2009 compared with the same period in 2008.

14. (SBU) A bleaker indicator for Croatia's tourism sector,

however, was the recent announcement by Minister of Tourism Damir Bajš on December 4 that Croatia's largest travel agency, Adriatica.Net is in deep financial trouble. The company is responsible for 10 percent of total bookings to Croatia. Bajš said that state owned companies, including the insurance company Croatia Osiguranje and the marina operator ACI, will participate in a recapitalization plan. While other tourism agencies criticized Bajš for this decision, Bajš's said that the GoC considers Adriatica.Net a 'strategic company' and will support financing proposals to keep it afloat.

PREPARING FOR 2010: REACHING OUT TO NEW MARKETS

15. (SBU) Croatian tourism officials are already working with private industry to develop a promotion plan to boost tourism for 2010. According to the Ministry of Tourism, the Croatian Tourist Association (HRZ) has prepared nine presentations for promotional activities for foreign markets and has budgeted 9.9 million dollars for tourism-related advertising. The Ministry of Tourism will also increase its online advertising, prepare promotional campaigns individually for certain foreign target markets and launch promotional campaigns targeting tourists from China, Japan, and South Korea. The Ministry of Tourism will also expand its advertising campaign with its neighbors, including Serbia.

COMMENT

16. (SBU) The GoC breathed a sigh a relief that tourism revenues were better in 2009 than analysts predicted. Despite the good news, the 2009 experience still leaves them in a quandary as to further development the tourism industry in Croatia. Mid-market mass tourism saved GoC tourism revenues in 2009, while the hotel sector continues to look

for investment in high-end infrastructure to support luxury tourism in Croatia. With the continuing economic crisis hampering investment, however, it is doubtful that much additional high-end development can be realized in the immediate future.

FOLEY